

State-Owned Industries Privatization Projects

Project Summary

Subsector

Privatization

Location

Nationwide

Project Cost

\$700.0 Million

Project Type

Privatize State-Owned Industries

Project Executing Firm/Agency

Various Ministries

Funding Agency

Not Identified



Project Outline

Most, if not all, of Afghanistan's industries are state-owned and require accessible investment capital, modern equipment, and efficient management to produce and compete in the current markets. The New Investment Law adopted by the Afghan Government allows 100 percent foreign ownership of Afghan enterprises and there is a move towards promoting privatization and corporatization of state-owned industries.

Technical Description

The following is a list of Afghan state-owned industries that are subject to privatization:

Ministry Owner/Shareholder	Name of Enterprise	Location/Other Data
Commerce	Department of Rations	Kabul. Food storage, silos, bakeries (asset sale).
Commerce	Department of Gasoline	Kabul. Petrol and LNG distribution, gasoline stations (asset sale).
Commerce	Afghan Cart Co.*	Kabul. Retail trader. Site visit made. Privatized (lease).
Commerce	AFSOTER*	Kabul (building/land sale) Site visit made
Mines & Industry	Marble Company*	Kabul. In process of privatization via Joint Venture.
Mines & Industry	Jangalak Industrial Co.	Chahl Setoon, Kabul (asset sale).
Mines & Industry	Metal Mining Co.	Tarakhel, Kabul (tender).
Mines & Industry.	Northern Coal Co.	Karkar Pulkhumri, Baghlan (tender).
Mines & Industry	Mazar-e Sharif Fertilizer Co.	Mazar, Balkh (tender for strategic investor).
Mines & Industry	Ghori Cement Co.	Pulkhumri, Baghlan (tender for strategic investor or asset sale).
Mines & Industry	Afghan Gas Co.	Shebergan, Josjan (tender for strategic investor).
Mines & Industry	Jabulusaraj Cement Co.*	Jabulusaraj, Parwan (asset sale). Site visit made. Non-operating. Old technology. Small capacity. Poor transport. Centralize large-scale production. Potential strategic investors.
Light Industry	Afghan Carpentry Co.	Chahl Setoon, Kabul.
Light Industry	Integrated Medical and Technical Dept. (Clemd Winery)*	Kabul (tender). Medical alcohol.
Light Industry	Wool Weaving Co. of Pulcharkhi*	Kabul (tender). Partially operating. Produces blankets and fabric.
Light Industry	Bagrami Textile Co.	Bagram, Kabul.
Light Industry	Afghan Textile Co.*	Gulbahar. Site visit. Largest textile plant in Central Asia. Equipment can be partially rehabbed. Needs power and water supplies. Small-scale production lines. Needs donor funding and technical assistance to attract strategic investors. Potential strategic investors.
Light Industry	Balkh Textile Co.	Balkh.
Light Industry	Khandahar Wool Weaving Co.	Kandahar (going concern, tender).
Light Industry	Spinzar Co. of Kunduz	Kunduz (going concern, potential strategic investors identified).
Light Industry	Bread Baking Co. of Kabul*	Kabul (asset sale).

Light Industry	Bread Baking Co. of Balkh	Balkh.
Light Industry	Herat Textile Industries	Herat.
Light Industry	Bagrami Brick Co.	Bagram, Kabul.
Light Industry	Nangahar Sugar Co.	Nangahar.
Light Industry	Kunarha Co.	Kunar.
Light Industry	Baghlan Sugar Industry	Baghlan.
Light Industry	Printing plants in 25 provinces	Nationwide.
Light Industry	Bost Cotton Ginning Plant	Helmand (going concern, potential strategic investors identified).
Light Industry	Balkh Ginning Co.	Balkh. (going concern) 75 percent operating.
Light Industry	Pulikhumri Flour Co.	Pulikhumri, Asset sale.
Light Industry	Pulikhumri Textile Co.	Pulikhumri, (going concern. Tender.
Light Industry	Kandahar Textile Co.	Kandahar (going concern, of interest to potential strategic investors).
Urban Development	Housing Construction Plant*	Kabul. Concrete/building materials complex. (potential strategic investors identified).
Urban Development	Afghan Construction Co.	Kabul.
Urban Development	Banaye Construction Co.*	Badam Bagh, Kabul.
Urban Development	Helmand Construction Co.	Helmand.
Urban Development	Dept. of Water Supply and Canals	Kabul (needs donor subsidies for international operator management contract).
Transport	Mili Municipal Bus Service Co.*	Kabul (privatize, regulatory issues).
Transport	Petroleum Products Transport Co.	Kabul (asset sale, gasoline transport).
Culture & Information	Afghan Advertising Co.	Kabul (going concern, tender).
Culture & Information	Azadi Printing Co.	Kabul (government printing press).
Culture & Information	Ariana Printing Co.	Kabul (asset sale).
Water & Power	Iron Components Co.	Kabul (asset sale).
Water & Power	Power Construction Co.	Kabul (strategic tender).
Water & Power	Brishna Electric Power Co.	Kabul (public utility, strategic tender, regulatory issues).

Water & Power	Power Development Co.	Kabul.
Aviation & Tourism	Ariana Airlines	Kabul (potential strategic investors/management contract).
Defense	Construction Materials Production Co.	Kabul (privatize with US military assistance).
Defense	Slaughter house	Kabul (privatize with US military assistance).
Agriculture	Nangarhar Valley Authority	Jalalabad (collective farm, large-scale olive growing/processing and export potential).
Agriculture	Agriculture Fertilizer Co. (AFC)	Kabul (fertilizer distribution; quality control/service and fertilizer subsidy role remain in Ministry; otherwise, eliminate fertilizer distribution role).
Irrigation	Spin Ghar Construction Co.	Kabul (investor interest).
Finance	Sukuk Printing Co.	Kabul.
Finance	Afghan Public Insurance Co.	Kabul (likely liquidation candidate, need financial sector assessment).
Public Health	Pharmacy Dept.	Kabul.
Kabul Municipal Authority	Municipal Construction Co.	Kabul.
Education	Educational Printing Co.	Kabul (remain with Ministry for near term).
Ministry of Communication	Afghanistan Telecommunications System	Kabul HQ. Privatization being implemented. Includes Ministry 50%+ stake in AWCC joint venture. Strategic enterprise. Potential strategic investors. Ministry is to license second cellular operator (Agha Khan Foundation).

Source: USAID Economic Governance Project, Dec 17, 2002

Bold = Initial assessment indicates potential going-concern/viable enterprise for sale via tender process to strategic investors.

* = Site visited by USAID contractor/consultant.

Project Site

The state-owned industries to be privatized are located throughout Afghanistan.

Project Status/Timeline

The privatization of these enterprises is expected to take place over the next three years.

Equipment and Services

U.S. involvement is possible, primarily in the investment and refurbishment of the enterprises listed above. Most of these enterprises require technology upgrades as well as management oversight.

U.S. Competitiveness

U.S. companies should be very competitive in privatizing state-owned industries in Afghanistan. Both the Afghan and the U.S. Governments are keen to increase the presence of U.S. firms in Afghanistan. U.S. firms have experience in privatizing similar enterprises in Eastern Europe and Central Asia.

Project Financing

All of these privatization opportunities require the project sponsor to provide a financing package. Most likely these enterprises will be “leased out” to private operators for a set number of years in which the operators will have complete freedom to make the necessary management decisions to reinstate the enterprises.

Conclusion

There are industries that will be privatized in Afghanistan in the near future and often these industries will require extensive capital investment. There are several reasons that an investment in a privatized industry could prove to be worthwhile such as cheap labor, competition against higher priced imported goods, and an emerging consumer market. Investing in Afghanistan is not for the faint-hearted and due diligence is necessary for each of the project opportunities listed above.

Key Decision Makers

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